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INTELLIGENCE REPORT

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COUNTRY USSR

DATE:

INFO. End of January 1947

SUBJECT Failure of the Reconstruction of German Industries in Russia

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ORIGIN

SUPPLEMENT

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1. Shaffron (or Shaffran), the First Secretary of the Russian Control Committee for the Reconstruction of Industry, stated, in a speech delivered to the committee at the end of January 1947, that the improvement of industrial conditions in Russia through the addition of dismantled equipment from Germany has been disappointing. He also declared that the equipment does not assume the expected important role in the Five Year Plan, and the whole system of reconstruction of dismantled German equipment on Russian soil faces complete failure.
2. The following reasons were given for the anticipated failure of the system:
  - a. An average of only 60% of the dismantled equipment has reached the assigned destination in Russia. Only a small part of this could be put to use.
  - b. Few of the planned enterprises were actually reconstructed.
  - c. The Germans who were brought to Russia are being paid high wages while waiting to start to work; however, informed industrial experts know that the waiting period will be long, or that work will never begin.
  - d. The reconstructed heavy and medium tool industries are not properly assembled technically. For example, the beddings, or special foundations, of machines were entirely neglected although the foundations are necessary for the German type of installations.
  - e. Much confusion exists in industrial reconstruction. It is doubtful if the necessary machines or machine parts will ever arrive, as most of the plants which produce them are situated in western Germany.
  - f. When the plans for industrial reconstruction were drafted, an essential feature of German industry was ignored. Under Hitler, and because of the lack of raw materials, German industry developed into a complicated system of parts production (Teilfabrikation). The production capacity was based upon cooperation among many industrial branches which were dependent upon each other. As a result of this system, the few German industries which were completely reassembled in Russia are useful in a very limited way because of the lack of complete machinery and special products.
  - g. Incapacity of the German engineers and technicians to adjust themselves to Russian production methods.

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-2-

3. In conclusion, Shaffron proclaimed the necessity of a complete change of Russia's reparation policy in regard to Germany. For more efficient production under the Five year Plan, he proposed leaving the industries intact in Germany under rigid Russian control. The products could then be shipped to Russia.

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